

# Conditions of Release

ACCESS TO YOUR SUPER



## Introduction

Money that you contribute to Superannuation is “preserved” until you meet a condition of release. “Conditions of release” are the rules the Government has set to make sure that people do not access their Superannuation until they qualify. Without these rules being enforced, the Super system would be under threat from people accessing their Superannuation before they qualify. It is a central building block of the entire system.

This information sheet is to give you general information of what the conditions of release are and when you are able to access your Superannuation money.

## Retirement and age-based conditions of release, the member

- has reached their preservation age and retires\*;  
or
- has reached their preservation age and begins a transition-to-retirement income stream\*\*;  
or
- ceases an employment arrangement on or after the age of 60+;  
or
- is 65 years old (even if they haven't retired);  
or
- has died.

### \*Reached Preservation Age & Retires

This condition depends on your date of birth. Please see the table below for your preservation age. If have reached your preservation age and have retired from employment, you have met a condition of release.



Date of Birth	Preservation Age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
From 1 July 1964	60

**There is a misconception that preservation age and age pension age are the same thing. Preservation age is the age in which you are able to access your Superannuation. Age pension age is the age in which you are able to apply to Centrelink for a Government Age Pension. The age pension age is a sliding scale starting at 65 and moving to 70 depending on the year that you were born. This means it is possible to access your Super before Centrelink benefits. This information sheet only covers entitlement to Superannuation it is not concerned with Centrelink benefits.**



Please note that if you access your Superannuation before turning 60 years of age, money taken from Superannuation will be considered income earned in your personal name. You may be eligible to reduce tax with lump sum payments – please speak to your adviser or book a meeting to discuss.

If you wait until your 60th birthday, any pensions or lumpsums taken after your birthday will not be included as personal income and will not need to be declared.

**\*\*Reached Preservation age** and begins a transition-to-retirement income stream  
Transition to retirement income streams were designed for people who want to access their Superannuation whilst they are still working. Transition to retirement income streams don't have SMSF tax savings but they will allow you to access your Superannuation to supplement your salary income if you are winding down the number of hours that you work. As long as you have reached your preservation age, you are able to start a transition to retirement pension.

These pensions only allow you to withdraw up to 10% of your members balance each year, so what you take out is capped.

If you are over the age of 60 when you take your pension, you will not pay any tax on the income taken from your Superannuation.

**+Ceases an employment arrangement on or after the age of 60**

If you reach the age of 60 and you quit a job (retired or resigned) that has contributed to your Superannuation, you will be able to access the money you have accumulated up until that point. Even if you go back to work, you still have access to the money that was in your Superannuation before any new contributions hit the account.

**If you start work again, any new contributions will be added to your accumulation account as "preserved", until you meet another condition of release.**

**65 years old (even if they haven't retired)**

Once you turn 65 years of age, then all of your members balance becomes "unrestricted, non-preserved" and you will have full access to any money you have in Superannuation, regardless of your working status. This means you can work, but still take money out of your Superannuation. Any new contributions that you put into your Superannuation account will be "unrestricted, non-preserved". After turning 65, you never have to worry if you are eligible to take money out of Superannuation.

**Dying**

Death of a member, regardless of their age or working status at the time of death is a full condition of release. All the money that the deceased member has accumulated in their members account is available to pay death benefits. Please ask our team to provide information on the death of a member.

**Other Conditions of Release**

In special circumstances, at least part of a member's super benefits can be released before the member has reached preservation age. These are:

- Permanent incapacity
- Temporary incapacity
- Terminal medical condition
- Severe financial hardship
- Compassionate grounds
- First home super saver scheme

**Permanent Incapacity**

An SMSF member will be considered permanently incapacitated under the law if they have ceased gainful employment and the person is unlikely because of physical or mental ill health to ever be gainfully employed for a position which the person is qualified by education, training, or experience. Because the members of SMSF's are also the "Trustee" or "Director of a Corporate Trustee" and have the power to make the determination on this matter, they need to make sure that they are making this decision objectively.

Auditors will investigate this transaction and may insist on documentation from two (2) medical practitioners confirming that the member can not be employed again in their chosen employment capacity.

**Temporary Incapacity**

A Superannuation fund can give members access to their members balance when a member is temporarily incapacitated. The same rules apply as per permanent Incapacity above but cover members who can't meet the "permanent" definition.

Temporary incapacity benefits can only be paid as an income stream and the payment cannot be greater than the member income before disablement and the member must stop all forms of employment in order to receive an income stream. If part time work is engaged, then any income drawings from Super need to be reduced if part time work increases wages over pre disablement levels.

Any member receiving this income is subject to marginal tax rates on the money received from Super.

### **Terminal Medical Condition**

If two (2) registered medical practitioners certify that the member has an illness that will probably cause death within 24 months, you will meet a condition of release. One of the doctors needs to be a specialist in the illness' related area of medicine. If you meet this condition of release all of the members balance will become "unrestricted non preserved" and any benefits will be paid tax free.

### **Severe Financial Hardship**

If you are under your preservation age, to qualify under this condition you need to have already accessed Commonwealth income support payments continuously for 26 weeks. If you are experiencing severe financial hardship, you must provide documents proving your claim. The Trustees must be convinced that the members are not able to meet immediate living expenses.

The SMSF may pay one amount for a 12-month period up to the value of \$10,000 over a 12-month period.

### **Compassionate Grounds**

Compassionate grounds rules apply to a fund member or a member's dependants for medical treatment (including dental) necessary home or car modifications due to severe disability and mortgage repayments to prevent a forced sale of a home. Depending on the compassionate grounds that you want to qualify for, you will need documentary evidence to support the members claim, e.g. a letter from the bank informing of foreclosure. The amount that can be withdrawn will be determined by the ATO and needs to be approved after a formal application is made to the ATO.

### **First Home Super Savers Scheme**

If you have never owned Real Estate in Australia, you may be eligible for this scheme. For more details on this scheme, please request more information from Supervision. If you are a participant of this scheme, you will be able to withdraw money from Super under certain circumstances.

## **What's Next?**

If you wish to book a meeting to discuss this information sheet, please email [mail@supervision.com.au](mailto:mail@supervision.com.au). There will be a booking fee of \$225 for this meeting.

If you need to apply for a condition of release that is under the "other conditions of release" above, we will include document preparation in that fee. Before the meeting, please outline the condition of release that you think is most appropriate to your circumstances.

If you have qualified under the "retirement or age-based conditions," then you only need to email Supervision with the details, and we will update your SMSF without cost. If you need advice on the implications of payments made to you, then a meeting and its fee will apply.

If you are applying to create a pension in your SMSF, please go to the pension commencement form on our website.

### **DISCLAIMER**

All information provided in this document does not consider any of your investment objectives, financial situation or particular needs and should not be in any way considered as financial advice. SUPERVISION does not provide financial product advice or recommend any financial products or whether you should establish an SMSF. This applies equally to those financial products which are established for any entity or when you become a client of SUPERVISION. We also recommend that you seek professional advice from a financial adviser before making any decision to establish an SMSF or purchase any financial product referred to on this document. While the sources for the materials are considered reliable, responsibility is not accepted for any inaccuracies, errors or omission. Supervision SMSF Solutions (ACN 134 666 596) AFSL 435751. Contact us 08 9367 9655 or [info@supervision.com.au](mailto:info@supervision.com.au).